

## Message Text

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PAGE 01 TEL AV 01033 241247Z  
ACTION OES-07

INFO OCT-01 NEA-10 ISO-00 COME-00 TRSE-00 L-03 /021 W  
-----117833 242229Z /64

R 241210Z JAN 78  
FM AMEMBASSY TEL AVIV  
TO SECSTATE WASHDC 0791

C O N F I D E N T I A L TEL AVIV 1033

PASS STATE FOR ASST.SEC. MINK

COMMERCE FOR ASSIT.SEC. BARUCH

TREASURY FOR ASST. SEC. BERGSTEN

E.O.11652: GDS  
TAGS: TECH, IS  
SUBJ: TRIAL PROPOSALS TO BIRDF

REF: (A) STATE 013717, (B) TEL AVIV 423

1. ON JAN 19 SCIATT POINTS DESCRIBED PARA 3(1)  
REFTEL TO LAVIE AND BLACKMAN, STRESSING IMPORTANCE TO  
USG OF EQUALITY OF OPPORTUNITY FOR ALL POTENTIAL APPLI-  
CANTS FOR BIRDF GRANTS, FOLLOWING PUBLICATION OF APPROVED  
GUIDELINES. BLACKMAN HAS ALWAYS BEEN SENSITIVE TO THIS  
POINT, IN SCIATT'S EXPERIENCE. LAVIE AND BLACKMAN BOTH  
SAID THAT FIRMS SUBMITTING TEST PROPOSALS HAD ALL BEEN  
TOLD THAT EXERCISE WAS SOLELY MINIINDUSTRY EFFORT AND THAT  
NO BIRDF COMMITMENT WAS IMPLIED. LAVIE PROMISED TO  
REITERATE THIS MESSAGE TO FIRMS.

2. DESPITE FOREGOING, SCIATT CONTINUES TO BELIEVE THAT  
THIS IS AT LEAST AN "APPARENT" PROBLEM, ORIGINATING WHEN  
DECISION WAS MADE TO SOLICIT TRIAL PROPOSALS AND HAVE  
COUNCIL USE THEM TO TEST GUIDELINES AT MID-FEBRUARY MEETING.  
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TRIAL PROPOSALS MOST LIKELY TO BE REVIEWED BY COUNCIL  
ARE THOSE SUBMITTED BY TADIRAN, ELBIT AND MIROMIT. ONE  
OR TWO OF THESE THREE IS ALSO MOST LIKELY TO BE AMONG  
FIRST RECIPIENTS OF BIRDF GRANTS, JUDGING BY FAIRLY EX-  
TENSIVE INFORMATION ALREADY AVAILABLE IN TRIAL PROPOSALS  
FROM THESE FIRMS. AT SAME TIME, TWO OF THE MORE ACTIVE  
MEMBERS OF ISRAELI COUNCIL (PRESENT AT JAN 17 MEETING

HERE WITH THEIR COLLEAGUES) ARE PRESIDENT OF ELBIT AND VICE PRESIDENT OF TADIRAN. THIS SEEMING CONFLICT OF INTEREST IS MORE APPARENT THAN REAL, BECAUSE THE THREE FIRMS WOULD BE VERY STRONG CONTENDERS FOR BIRDF GRANTS IN ANY CASE; THEY ARE OUTSTANDING INNOVATORS IN THIS (COMPARATIVELY) TINY INDUSTRIAL COMMUNITY.

3. TO AMELIORATE THE PROBLEM, SCIATT, SUGGESTED TO LAVIE ON JAN 20 THAT BIRDF SUBMIT TO COUNCIL TWO OR THREE TRIAL PROPOSALS (EIGHT ARE AVAILABLE) FROM FIRMS WHOSE OFFICERS ARE NOT COUNCIL MEMBERS. LAVIE, WHO PREFERS TO USE BEST PROPOSALS, ACCEPTED THIS IDEA RELUCTANTLY AND SCIATT WILL PURSUE IT FURTHER WITH HIM NEXT WEEK, KEEPING IN MIND THAT IN PRESENT CONTEXT, IT IS PREFERABLE TO SUBMIT TO COUNCIL TWO OR THREE COMPLETE BUT MEDIOCRE PROPOSALS FROM FIRMS UNLIKELY TO BE EARLY GRANT RECIPIENTS. FINAL WORD ON PROPOSALS TO BE TESTED LIES, IN ANY CASE, WITH BLACKMAN, WHO COULD INSTRUCT HIS STAFF HERE TO BEGIN NOW TO COMPLETE TWO OR THREE OF THE LESS PROMISING TRIAL PROPOSALS.

4. RE PARA 2 OF REF A, BLACKMAN AND SCIATT HAVE DISCUSSED SEVERAL TIMES THE POSSIBILITY THAT LAVIE MAY DIRECT ACTIONS OF EDEN IN BLACKMAN'S ABSENCE. SCIATT DOES NOT BELIEVE THAT THIS WILL BECOME A PATTERN, PARTLY BECAUSE LAVIE IS AWARE OF EMBASSY OVERSIGHT OF BIRDF OPERATIONS. EMBASSY IS HELPED IN THIS OVERSIGHT FUNCTION BY EDEN, WHO IS SEN-CONFIDENTIAL

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SITIVE TO HIS "BILATERAL" STATUS AND INFORMS SCIATT OF UNILATERAL INSTRUCTIONS FROM GOI, WITNESS REF B.

5. ISRAELI BOG MEMBER MANDLEBAUM WILL BE REPLACE AS DIRGEN MININDUSTRY SHORTLY BY ECONOMIST AMOS MAR CHAIM, NOW DIRECTOR OF THE ISRAELI INVESTMENT CENTER. THERE IS NO INDICATION THAT SIVAN WILL BE REPLACED. GENERALLY, MANDLEBAUM HAS TENDED TO ACCEPT LAVIE'S LEADERSHIP OF BIRDF PARTLY BECAUSE OF MANDLEBAUM'S IMPENDING REPLACEMENT AND PARTLY BECAUSE BIRDF FALLS SQUARELY WITHIN LAVIE'S AREA OF EXPERTISE. HOW NEW DIRGEN WILL BEHAVE REMAINS TO BE SEEN. EMBASSY WILL DISCUSS BIRDF WITH MAR CHAIM AT FIRST OPPORTUNITY. SIVAN HAS HAD NO APPARENT INFLUENCE IN BIRDF EXCEPT FOR MONEY MATTERS, PARTICULARLY BLACKMAN'S CONTRACT. SIVAN'S VIEWS, AND THAT OF HIS LEGAL ADVISER, CASSUTO, WILL BE IMPORTANT IN GOI REVIEW OF NEW BLACKMAN CONTRACT, IF THEY DEEM TOTAL COMPENSATION TOO HIGH. THIS, WITH EXCEPTION NOTED ABOVE, LAVIE SEEMS TO "RUN THE SHOW" ON ISRAELI SIDE, PROBABLY WITH FEW CONSTRAINTS BUT SOME TREPIDATION; HE IS NEW ON THE JOB AND ANXIOUS FOR SUCCESS. SCIATT BELIEVES THAT HE IS STRONGLY INFLUENCED BY YITZHAK YA'ACOV, HIS PREDECESSOR AND MENTOR FOR MANY YEARS.

6. BLACKMAN RETURNED TO WASHINGTON JANUARY 20.  
LEWIS

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** RESEARCH, PROPOSALS (BID), GRANTS  
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**TAGS:** TECH, IS  
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